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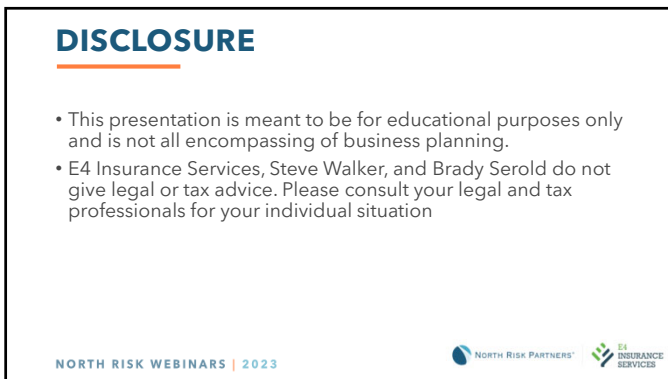
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## AGENDA

- 4 Pillars of Planning
- Buy-Sell
- Key Person
- Executive Benefits
- Q&A



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## CALL TO ACTION

- If you would like to discuss any of the topics covered during the webinar today, please reach out to your North Risk Partners Risk Advisor.

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## 4 PILLARS OF PLANNING



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### 4 PILLARS

- Protect income.
- Protect retirement.
- Provide liquidity.
- Develop reward and retention strategies to help business owners recruit and retain the key contributors to their business.

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### PROTECT INCOME AND RETIREMENT

#### Protect Income

- Personal Paycheck
  - Life Insurance
  - Disability Insurance
- Business Paycheck
  - Business Overhead Expense
  - Key Person Insurance

#### Protect Retirement

- Safe accumulation products
- Guaranteed lifetime income
- What if you need long-term care?

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### BUSINESS OVERHEAD EXPENSE

• A TAX DEDUCTIBLE way that key fixed business expenses can be reimbursed in the event you were sick or hurt and couldn't work.

- 30, 60, or 90 day elimination periods
- 12, 18, or 24 month benefit periods
- Up to \$50,000 per month
- Can include salary replacement

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**PROVIDE LIQUIDITY**

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|---|--|
| <p><b>Personal Liquidity Needs</b></p> <ul style="list-style-type: none"> <li>• Estate Planning</li> <li>• Farm Succession</li> </ul> | <p><b>Business Liquidity Needs</b></p> <ul style="list-style-type: none"> <li>• Buy-Sell Triggered</li> <li>• Key Person Replacement</li> <li>• Deferred Compensation</li> </ul> |
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**REWARD & RETENTION STRATEGIES**

- It is easy to recruit a top employee if compensation is the only variable.
- Providing Asymmetrical Benefits for your companies Asymmetrical Contributors.
- Executive Benefits can include
  - Executive Carveout
  - Additional life, DI, or LTC insurance
  - Deferred Compensation

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**BUY-SELL AGREEMENT**



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## WHAT IS A BUY-SELL AGREEMENT

- Controls/restricts the transfer of business interests.
- Provide for orderly succession of a business by restricting ownership and management.
- Three main parts:
  - Triggering Events
  - Valuation
  - Terms of Payment

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## TRIGGERING EVENTS

- Death
- Disability
- Other Lifetime Transfers
  - Bankruptcy
  - Divorce
  - Creditors
  - Conviction of crime
  - Violation of morals clause
- Termination of employment
- Upon triggering event... who can buy the interest?

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## VALUATION METHODS

- Agreement of parties
- Fixed price
- Formula price
- Appraisal
- Shotgun

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## TERMS OF PAYMENT

- Lump Sum
  - 100% due after triggering event
- Installment Method
- Combination of the above two
- Cash from the business
  - Dollar for Dollar + Lost Opportunity Cost
- Financing
  - Dollar for Dollar + Interest
- Insurance
  - Buyout, key-person, cash flow

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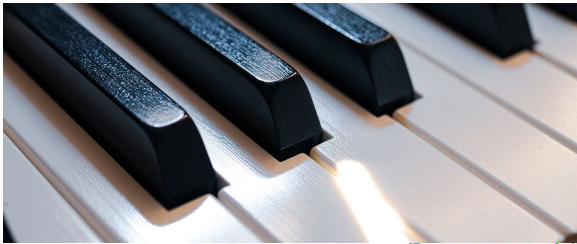
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## KEY PERSON INSURANCE



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## KEY PERSON INSURANCE

- Does your business have employees that are crucial to the success of your business?
  - Sales/Revenue
  - Specialized skillset
- What would happen if they couldn't come to work tomorrow?
  - Premature death
  - Too sick/hurt and cannot work
- Financially - what are the costs of losing a key person?
  - Redistribution of duties
  - Lower net revenue
  - Recruit and Replace

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## UNDERWRITING ADVANTAGES

- Discount
  - Typically starts at 3 or more lives from same company
- Simplified Underwriting
  - Less qualifying questions
- Guaranteed Issue
  - Typically starts at 5 lives for disability income products
  - Usually a higher number of lives needed for life insurance products (10-25 lives depending on insurance carrier)
  - Employer paid and Voluntary options

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## EXECUTIVE BENEFITS



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## EXECUTIVE BENEFITS

- What are you doing OVER AND ABOVE compensation and group benefits for your key people to reward, retain, and recruit?
- If you fertilize your yard, your top people won't go looking for greener grass.



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### CASE STUDY - INCOME PROTECTION

- Company has 13 partners
  - Incomes range from \$350,000 - \$1,200,000
- Group long-term disability insurance not sufficiently protecting partners income
  - 60% of income protected
  - MONTHLY CAP of \$15,000
- **Goal:** Provide partners with excess income protection to more properly secure their biggest asset
- **Solution:** GSI Disability Income for all partners
  - Up to an additional \$17,500 per month benefit for each partner
  - Cost is 0.6% of partners payroll

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### CASE STUDY - LIFE INSURANCE

- Company has over 500 employees
  - 125 the company would consider "key" by title and skills
- Group life insurance not sufficiently protecting their families
  - \$50,000 for each employee
- **Goal:** Provide key people with additional life insurance to properly protect their loved ones (employee owned)
- **Solution:** GI Term Life for key people
  - 3x Salary (up to max of \$5mil)
  - Cost is 0.44% of total payroll

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ANY QUESTIONS?



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## QUESTIONS AFTER THE WEBINAR

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